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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003051

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STATE FOR EAP/TC AND NP/ECC
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SUBJECT: NEW INFO ON TAIWAN'S EXPORT CONTROLS

REF: A. A) TAIPEI 3001

[1](#)B. B) TAIPEI 3019

Classified By: AIT Economic Chief Daniel Moore; REASONS 1.4 (B,D)

[1](#)1. (SBU) SUMMARY. Following-up the AIT-BOFT meeting reported ref A, on October 1 BOFT faxed to AIT additional documents related to Taiwan's export control system and correspondence regarding the Ching Hwee International Trading Company. These documents have been relayed via fax to EAP/TC and are translated informally below. Separately, AIT has accepted a BOFT invitation to visit two machine tool companies near Taichung and learned the inter-agency debate over technology transfer legislation continues. End summary.

AIT Informal Translation of BOFT Letter to Customs

[1](#)2. (SBU) Board of Foreign Trade letter to the Directorate General of Customs, dated September 15, 2004:

(Begin text of letter)

Subject: To meet BOFT's need to strengthen sensitive high technology commodities (SHTC) export control, the Directorate General of Customs is advised to enroll the company "Ching Hwee International Trading Company, Ltd" (registration number: 23003535) in the Customs' "manufacturers high-risk management list", and to closely monitor the machine tools exported from the subject company to the controlled areas including North Korea.

Explanations:

[1](#)I. This action is based on MOFA's August 2, 2004 letter responding to the written request from TECRO/W dated July 30, [1](#)2004.

II. Mr. Randy Schriver from the State Department conveyed the message to TECRO/W Representative Mr. David Lee that showed one Taiwan company "Ching Hwee International Trading Co., Ltd" has been involved in exporting machine tools to North Korea and that these commodities will likely be used in nuclear development projects. In response, Mr. Lee reiterated that Taiwan is willing to comply with U.S. requests on antiterrorism and anti-WMD, and he would ask Taiwan's related agencies to work together on this case. Senior Advisor Mr. David Asher from the State Department also brought up this issue in the meeting with MOJ on August 30, [1](#)2004.

III. BOFT has collected the export statistics of the subject company on machine tools from 2001-May 2004 and has requested the company to quickly provide detailed information related to these exports including descriptions of the machines, ordering and shipping information, and importer addresses. After receiving the information, the Industrial Technology Research Institute (ITRI) will determine whether these commodities were SHTC.

IV. According to BOFT's December 31, 2003 circular entitled "SHTC Categories, Special SHTC Categories and Exporting Control Areas," North Korea is one of the SHTC export controlled areas. The circular references the Wassenaar Arrangement, which includes machine tools among controlled commodities. Moreover, the circular states that commodities not on controlled lists, but which could possibly be used to produce or develop nuclear or biochemical weapons or missiles would be categorized as SHTC. Exporters of such commodities must apply for a SHTC export permit from BOFT in advance.

[1](#)V. BOFT requests all Customs offices to strengthen inspections of Ching Hwee's machine-tool exports (Customs Commodity Codes 8456-8466) to any controlled areas including Iran, Iraq, Libya, North Korea and China, and immediately inform BOFT of any finding that Ching Hwee has violated regulations.

(End text of letter)

AIT Informal Translation of Customs' Reply

13. (SBU) Directorate General Customs letter to BOFT dated September 23, 2004.

(Begin text of letter)

Subject: Customs will keep a close watch on the machine tool exports of Ching Hwee to controlled areas, and, acting according to the regulations, will only allow these exports when accompanied by SHTC export permits.

Explanations:

I. This action is based on BOFT's September 15 letter.

II. To prevent Ching Hwee from exporting SHTC commodities without approval, all customs bureaus shall tighten inspections of machine tools exported to Iran, Iraq, Libya, North Korea, China, Cuba, Sudan, and Syria. Please report any findings of illegal exports of SHTC commodities.

(End text of letter)

Increased Number of Export Licenses

14. (SBU) A separate document received via fax from BOFT on October 1 shows the number of export licenses granted in 2002 was 5,636; in 2003 was 8090; in the first quarter of 2004 was 2363; and in the second quarter of 2004 was 2442. The number of licenses granted in first two quarters of 2004 represented year-on-year increases of 41.9 and 32.6 percent respectively. BOFT suggested the numbers were up partly because of increased awareness among businesses of the need for export licenses.

Invitation to Join BOFT/Customs Training Excursion

15. (SBU) AIT has accepted an invitation from BOFT to join a BOFT-organized training program for Taiwan Customs officers. The training will involve visits on October 22 to two machine tool companies in the Taichung area (Victor Taichung Machinery Works Company, Ltd., and Yeong Chin Machinery Industries Company, Ltd.). The purpose of these visits is to give Customs officers a better understanding of the different types and technologies of machine tools.

Technology Transfer Legislation

16. (C) BOFT informed AIT in a telephone conversation on October 1 that it is trying hard to persuade Taiwan's NSC to permit it to provide AIT with a draft of the pending legislation on technology transfer. AIT asked BOFT for additional information on commodity types and destinations of the exports which have received SHTC permits in recent months, as well as for information on Ching Hwee's exports of machine tools to non-restricted countries.

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